

Transshipment Best Practices - Hong Kong Experience

**Gulf Cooperation Council Counterproliferation Workshop
Dubai, UAE
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Hong Kong SAR Government

Hong Kong's Situation

- A significant trading centre
- An important logistics hub
- Free trade and free economy



Strategic Trade Control

- ✓ While Hong Kong is a staunch supporter of free trade system, we impose comprehensive control over import, export, re-export, transshipment and transit of strategic commodities

Challenges faced by Hong Kong

- We need to strike a balance between effective control and trade facilitation.

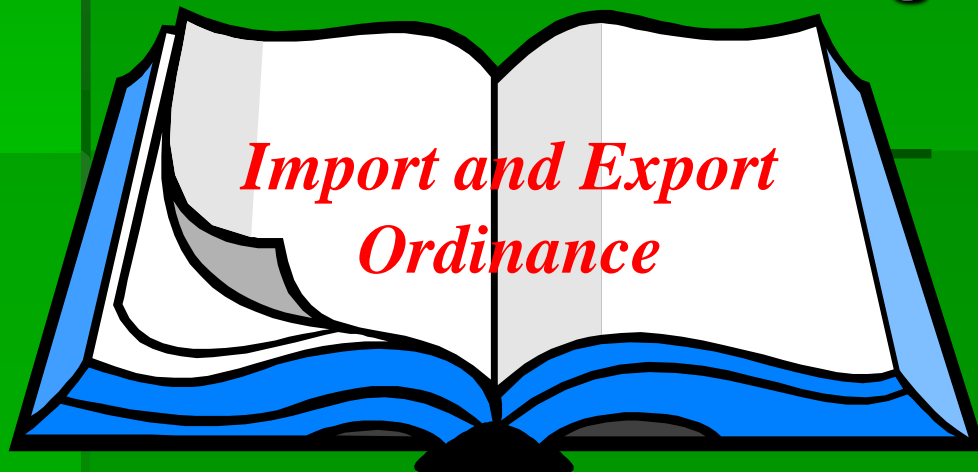


The Four Basics

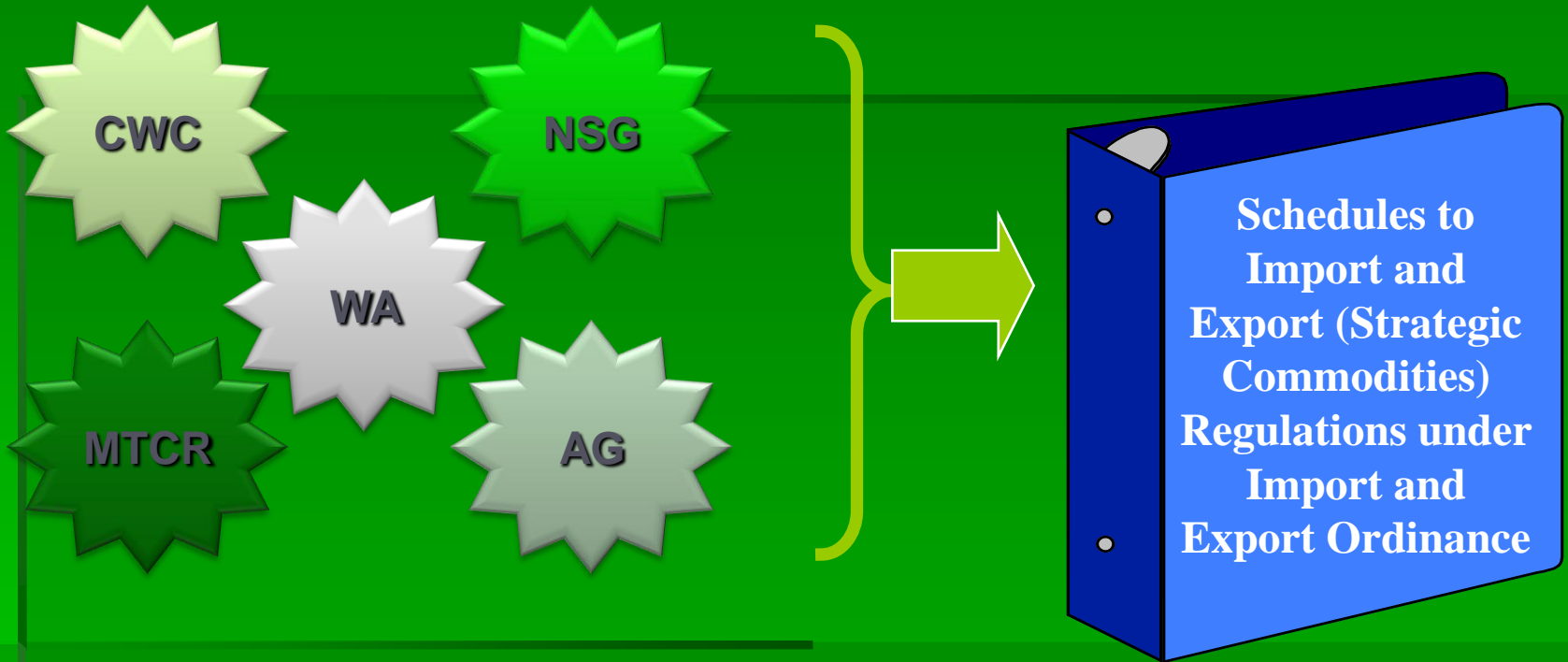
- **Stringent legislation**
- **Comprehensive licensing control**
- **Vigorous enforcement**
- **Close international/bilateral cooperation**

Law-based Control System since the 1950s

- ✓ A long history of implementing strategic trade control since the 1950s
- ✓ On the basis of legislation



Control List



- ✓ **Following the controls of the international export control regimes**
- ✓ **Part of the Law**

Legal Definition of Transhipment

✓ “Transshipment cargo” means any imported article that :-

➤ is or to be removed from the vessel, aircraft or vehicle in which it was imported and either returned to the same vessel, aircraft or vehicle or transferred to another vessel, aircraft or vehicle before being exported

➤ is consigned on a through bill of lading or through air waybill from a place outside Hong Kong to another place outside Hong Kong

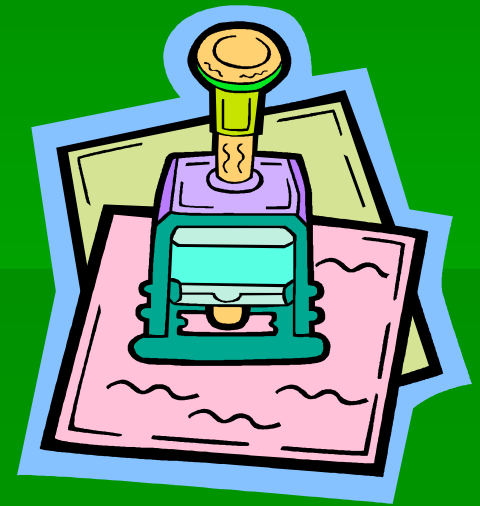


Legal Definition of Transit

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Licensing System for Strategic Commodities

- Pre-shipment licensing
- Consignment based
- End-use controls on items used for WMD programme
- Legal responsibility of carriers



Licensing for Transshipment and Transit (1)

- ✓ Transshipment cargo and article-in-transit are regarded as separate import and export
- ✓ Transshipment: Licences are required unless otherwise exempted under law



Licensing for Transshipment and Transit (2)

- ✓ Article-in-transit :
Licences are required for specified sensitive items (certain munitions and all nuclear-related materials and equipment)
- ✓ WMD end-use :
Licences are required without exception



Air Transshipment Cargo Exemption Scheme for Specified Strategic Commodities (in operation since 2000)

- ✓ Air carriers and their agents may seek exemption of individual licensing requirement for certain strategic commodities.
- ✓ Currently, the exemption scheme does not cover sensitive goods including certain munitions and all nuclear related materials and equipment.
- ✓ Only air-to-air transshipment cargoes are qualified, i.e. the air cargoes staying in the restricted area of the airport at all times for transshipment purpose.
- ✓ Participants of the scheme undertake to comply with specific terms and conditions regarding inspection of goods and record-keeping.

Air Transshipment Cargo Exemption Scheme for Specified Strategic Commodities (in operation since 2000)

- ✓ The scheme is designed with a view to catering for the unique circumstances of local air cargo industry.
- ✓ It aims to achieve a balance of considerations to facilitate the development of regional air cargo hub on one hand, and the need to maintain the integrity and effectiveness of strategic trade control on the other.
- ✓ It is a conscious move to vary the form of control to suit the situation of the air cargo flow through Hong Kong.

Outreach to Industry

- Daily contacts with traders
- Meetings with/ visits to companies
- “Know-Your-Customers” seminars
- Technical workshops on control list
- Education Programmes on website

CONCLUSION

- Hong Kong is implementing a robust strategic trade control system on the basis of comprehensive legislation.
- Control system is carefully designed to balance the need for free trade and the concern on global security.
- Strategic trade flow is monitored and scrutinized but not hindered.



Thank you!

